

## **Equalized Valuations Finalized for 2012 & 2013**

Donna Demirai & Marilyn Browne, Bureau of Local Assessment

Not surprisingly, the equalized full and fair cash value of all taxable property in the [Commonwealth of Massachusetts](#) declined 5.3 percent or \$57 billion from two years ago. The last equalized valuation study was done in 2008 for use in FY2010 and 2011. Before we analyze some of the results of the newest study lets look at equalized valuation uses and how the figures are derived.

### **Uses**

Early this February, the Department of Revenue's [Bureau of Local Assessment](#) completed and sent to the legislature and local assessors the final equalized valuations (EQVs) as of January 1, 2010. In two years and for two years (FY2012- FY2013) this data will become part of the allocation of aid distributed through the lottery formula, aid to public libraries, Chapter 70 school aid and reimbursement of school construction projects. Certain Cherry Sheet charges also use EQVs: County Tax, Boston Metropolitan Transit District, Mosquito Control Projects and Air Pollution Control Districts. In addition, EQV is used in calculating a community's debt limit ([MGL Ch.44, §10](#)).

### **Derivation**

Local assessors submitted calendar year 2008 sales reports reflecting assessed values as of January 1, 2009. (If a community had less than 20 arms length or valid sales in 2008 then 2007 sales reports were also included.) In addition, we relied on the Form LA-4, Total Assessed Value as of January 1, 2009, submitted by local assessors as part of the FY2010 tax rate setting process.

Through community specific statistical analyses we determined the levels of assessment for each of the major classes of property and then estimated the full and fair cash value. To this was added a projected 2010 new construction value that was developed through a review of each community's past four years' new growth and, where applicable, we added Urban Redevelopment Corporation numbers ([MGL, Ch.121A](#)).

### **Observations**

Overall, when looking at the 2010 EQVs, you see a significant decrease in the number of valid sales, a decline in overall state value, marked differences between cities and towns as well as considerable differences in various regions of the state.

Between 2000 and 2010 property values increased 111 percent in actual dollars and approximately 44 percent in constant dollars (dollars adjusted for inflation). However the bulk of the increase occurred between 2000 and 2006 going from \$485 billion to \$991 billion. When those figures are adjusted for inflation the increase is 60 percent with the peak occurring in 2006 at \$1,137 trillion. These

dates mirror the so-called housing bubble era. From 2006 to 2010 property values stabilized to \$1.025 trillion in actual dollars but in fact decreased by 10 percent when adjusted for inflation. ([EQV Spreadsheet](#))

With the economic downturn, the number of real estate sales dropped quite a bit. None of the 2010 communities had more than a five percent sales sample this EQV while 14 communities did for 2008. Only approximately one out of every ten municipalities (or 32 of 351) had sample sizes greater than three percent in 2010, while just two years prior in 2008 slightly more than half of all cities and towns (or 187 of 351) had sample sizes greater than three percent. On the other end of the spectrum, municipalities with sample sizes of two percent or less totaled only 47 in 2008 but climbed to 153 in 2010. ([EQV Spreadsheet](#))

Between 2008 and 2010, the total equalized value of the taxable property in the Commonwealth dropped by \$57 billion dollars. The total 2010 equalized value of the taxable property in the Commonwealth was determined to be \$1,024,656,765,100, down from \$1,081,810,885,500. While the new total value stayed above the trillion dollar mark, the \$57 billion decrease is noteworthy, particularly because cities suffered more of a drop than towns, meaning that several cities may face collisions with their levy ceilings.

The amount a city or town can raise in property taxes is governed by [Proposition 2 ½](#), which does not allow that tax to be more than 2.5 percent of total taxable value, called the levy ceiling. Prop 2 ½ also does not allow the property tax to exceed the levy ceiling. Consequently, if a community's property values drop significantly so will the amount it can raise in its property tax levy.

Three cities in the Boston Metro area were an anomaly; Boston, Cambridge and Newton all had increases in value. The remaining 43 cities declined by -24.4 percent, which represents forty percent of the total state decrease in value from 2008. It is notable that cities in the Berkshire and Pioneer Valley regions had only minor decreases of half of a percent and -3.7 percent respectively. Cities with the largest double-digit decreases are Brockton (-25.6 percent), Revere (-22.4 percent), Lawrence (-22.2 percent), Lynn (-21.7 percent) and Everett (-20.3 percent). The cities with the smallest drops in value are Chicopee (-0.9 percent), Holyoke (-2.4 percent), Somerville (-4.9 percent), Gloucester (-5.1 percent) and Weymouth (-7.1 percent). Overall, excluding Boston, cities statewide averaged a decline of -10.2 percent, which is significant when compared to the entire state average drop of -5.3 percent. ([EQV Spreadsheet](#))

Looking at the per capita calculation, with current estimated 2009 population figures, the overall per capita state average is \$155,402. There are 203 communities below this average and 148 above. It is not surprising that the Cape and Island communities have the highest EQV per capita values since they have a low year-round population count and high property values. The range between the highest and lowest is striking. The top five per capita communities are

Chilmark at \$3.68 million, Gosnold at \$3.35 million, Aquinnah at \$2.13 million, Nantucket at \$1.94 million and Edgartown at \$1.87 million. Those with the lowest per capita value are throughout the state and do not discriminate between regions but are all cities. The five lowest per capita—again all cities—are: Lawrence (\$45,915), Springfield (\$50,501), North Adams (\$54,886), Holyoke (\$57,594) and Chelsea (\$62,540). ([EQV Spreadsheet](#))

If you look at the EQV percent change by region it is interesting to see that only one region, Berkshire, had a slight increase of 0.7 percent. The Boston metro region dropped -3.1 percent including Boston, Brookline, Needham, Newton and Cambridge, all of which had increases from the 2008 EQV. But if you exclude those five communities in their regional analysis the overall percent drops further to -5.98 percent. The three areas surrounding the Boston Metro region experienced the largest negative percent changes from 2008, they were Central (-9.6 percent), Southeast (-9.5 percent) and Northeast (-7.8 percent). The two remaining areas of the state showed declines that were less than the Boston Metro regions are the Central area at -9.6 percent followed by the Cape at -4.6 percent. ([Regional Map](#))

The 2010 EQV numbers show the largest increases in value occurred in western Massachusetts in New Ashford, Hawley, Washington, Tolland and Goshen. New Ashford topped this list at 33 percent while Goshen increased less than its western neighbors with a 9.5 percent growth in value. Nineteen municipalities are above the \$500,000 EQV per capita, 14 of them are on the Cape and Islands, and 21 are below \$75,000 EQV per capita, of that number 14 are cities. The cities with the largest negative impacts from 2008 are Brockton, Revere, Lawrence, Lynn and Everett all with more than 20 percent decreases in equalized value. In conclusion 69 communities' 2010 EQVs increased from 2008 while the remaining 282 fell, of those some 64 dropped more than 10 percent. ([Focus Map](#) & [EQV Spreadsheet](#))

*For further historical data on EQV please visit the Bureau of Local Assessment's EQV [webpage](#).*